



Press Release

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For immediate release

The Federal Open Market Committee decided today to lower its target for the federal funds rate by 50 basis points to 2 percent. In a related action, the Board of Governors approved a 50 basis point reduction in the discount rate to 1-1/2 percent.

Heightened uncertainty and concerns about a deterioration in business conditions both here and abroad are damping economic activity. For the foreseeable future, then, the Committee continues to believe that, against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the risks are weighted mainly toward conditions that may generate economic weakness.

Although the necessary reallocation of resources to enhance security may restrain advances in productivity for a time, the long-term prospects for productivity growth and the economy remain favorable and should become evident once the unusual forces restraining demand abate.

In taking the discount rate action, the Federal Reserve Board approved the request submitted by the Board of Directors of the Federal Reserve Bank of Richmond.

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